

THE INSTITUTE OF BANKERS, BANGLADESH (IBB)
97th Banking Professional Examination, 2023

AIBB

Accounting for Financial Institutions (AFI)

Subject Code :

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Time—3 hours

Full marks—100

Pass marks—45

[N.B. The figures in the right margin indicate full marks. Answer any five questions.]

- | | Marks |
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| 1. (a) What is accounting equation? Why is it necessary in recording process? | 4+4=8 |
| (b) What is chart of account? Why is it important? | 2+4=6 |
| (c) Sonia is a new accounting student contends that Double-Entry system means each transaction must be recorded twice. Is Sonia correct? Explain. | 6 |
| 2. (a) "Accounting is an information system"—Explain. | 5 |
| (b) Who are the users of accounting information and how accounting information help them taking financial decision? | 7 |
| (c) "All transactions are event but all events are not transactions"—Why? | 3 |
| (d) Is agreement of trial balance a conclusive proof of arithmetic accuracy of the ledger balance? If not, discuss the reasons. | 5 |
| 3. (a) What is suspense account? Identify the situation when a suspense account is created. | 6 |
| (b) Sadia Islam is a newly recruited trainee officer believes debit balances are favorable and credit balances are unfavorable. Is Sadia correct? Explain. | 4 |
| (c) Mr. Sohag has recently started a delivery business named "Fast Del Services." Some of his transactions in the month of August are as follows : | 10 |
| August 1 Deposit Tk. 200,000 of his personal savings in account Imperial Bank in the name of Fast Del Services.
3 Acquired a reconditioned delivery truck costing Tk. 15,00,000 paying Tk. 5,00,000 as down payment in cash and financing the remaining by taking a bank loan.
7 Paid Tk. 25,000 as rent for the month.
10 Acquired office supplies on account Tk. 2,000
15 Rendered services to customer Tk. 1,50,000 for delivery services on account.
17 Paid insurance premium of Tk. 30,000 for next three years.
20 Collected Tk. 1,00,000 from customers for service provided on August 15.
21 Paid utility expenses of Tk. 8,000.
23 Received Tk. 60,000 in advance from Tristar Company for delivery services.
28 Transferred Tk. 50,000 from 'Fast Del Services account at Imperial Bank to owners personal account at the same bank. | |

Required : Make Journal entries for the above transaction in the books of 'Fast Del Services.

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| 4. (a) Identify each of the following statement is true or false. | 2×5=10 |
| (1) Profitability ratios measures the short term ability of the company to pay its obligations and to meet unexpected needs for cash.
(2) An account is an accounting record of either a specific assets or a specific liability.
(3) Adjusting entries are required by the cost principle of accounting.
(4) Recognizing depreciation on an asset results in an accumulation of cash for the replacement of the assets.
(5) The historical cost principle dictates that companies record assets at their cost and report them at fair market value over the time the assets are held. | |
| (b) What is closing entry? What are the objectives of making closing entries? | 2+4=6 |
| (c) State some of the differences between adjusting entries and rectifying entries. | 4 |

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5. (a) Why is statement of cash flows useful? Marks
4
 (b) The managing director of Mohammad Engine Solution Ltd. (MESL) is puzzled. During the last year, the company required a net loss of Tk. 8,50,00,000. Yet its cash increased Tk. 2,00,00,000 during the same period of time. Explain the Managing Director how this could occur. 4
 (c) 12

Samia Electronics Ltd.
Comparative Statements of Financial Position
 31, December

Assets :	2022	2021
	(BDT)	(BDT)
Land	73,000	1,00,000
Equipment	260,000	2,00,000
Accumulated depreciation—equipment	(66,000)	(34,000)
Inventory	1,70,000	1,87,000
Accounts receivable	85,000	71,000
Cash	73,000	33,000
Total :	<u>5,95,000</u>	<u>5,57,000</u>
Equity and liabilities :	2022	2021
	(BDT)	(BDT)
Share capital—Ordinary (BDT 1 per)	2,16,000	1,74,000
Retain earnings	1,94,000	1,36,000
Bonds payable	1,50,000	2,00,000
Accounts payable	35,000	47,000
Total :	<u>5,95,000</u>	<u>5,57,000</u>

Additional Information :

- (1) Net income for 2022 was BDT 103,000.
- (2) Depreciation expense was BDT 32,000.
- (3) Cash dividends of BDT 45,000 were declared and paid.
- (4) Bonds payable amounting to BDT 50,000.
- (5) Ordinary shares were issued for BDT 42,000 cash.
- (6) No equipment was sold during 2020.
- (7) Land was sold for its book value of BDT 27,000.

Requirement : Prepare a statement of cash flow for 2022 using indirect method.

6. (a) Write down the limitations of ratio analysis as tool for financial statement analysis. 4
 (b) Following are the financial statement of Progressive Company Ltd. : 16

Progressive Company Ltd.

Balance Sheet

As on 31 December, 2022

Liabilities and Owners Equity	Amount	Assets	Amount
	(BDT)		(BDT)
Account payable	2,80,000	Cash	70,000
Bills payable	1,40,000	Accounts receivables	3,50,000
Accrued expenses	40,000	Inventories	4,90,000
Provision for tax	1,00,000	Fixed assets	10,50,000
Long term debt	8,40,000	Goodwill	1,40,000
Preference share capital	2,80,000		
Equity share capital	1,40,000		
Reserves	2,80,000		
Total :	<u>21,00,000</u>	Total :	<u>21,00,000</u>

Additional Information :

- (i) Out of total sales for the year, Tk. 2,80,000 was in cash and Tk. 11,20,000 was on credit.
- (ii) Cost of goods sold was Tk. 8,40,000.
- (iii) Interest paid on long term debt Tk. 40,000.
- (iv) Profit before tax and after tax were Tk. 2,80,000 and Tk. 1,40,000 respectively.

Requirement : Calculate the following ratios :

- (1) Acid Test Ratio
- (2) Accounts Receivable Turnover
- (3) Inventory Turnover
- (4) Long Term Debt to Total Capital
- (5) Gross Profit Margin
- (6) Net Profit Margin
- (7) Return on Equity Capital
- (8) Interest Coverage Ratio.

7. (a) Why do accrual-basis financial statements provide more useful information than cash-basis financial statements?
(b)

Samira Graphics			
Trial Balance			
30 June, 2023			
Accounts Title	Debit	Accounts Title	Credit
	Taka		Taka
Cash	80,000	Notes payable	2,00,000
Accounts receivable	1,40,000	Accounts payable	90,000
Equipment	4,50,000	Owner's equity	2,20,000
Insurance expense	27,000	Sales revenue	5,21,000
Salaries and wages expense	3,00,000	Service revenue	60,000
Supplies expense	37,000		
Advertising expense	19,000		
Rent expense	15,000		
Utilities expense	17,000		
Owner's drawing	6,000		
Total :	<u>10,91,000</u>	Total :	<u>10,91,000</u>

Samira Graphics was established by Samira Islam on January 1, 2023.

Analysis reveals the following additional data :

- (i) The Tk. 37,000 balance in supplies expense represents supplies purchased in January. At June 30, Tk. 13,000 of supplies are on hand.
- (ii) The notes payable was issued on February 1. It is 10% 6 month note.
- (iii) The insurance expense is for premium on a one year policy, dated April 1, 2023.
- (iv) At June 30, Tk. 13,000 service revenue remained unearned.
- (v) Revenue for services performed but not recorded at June 30, total Tk. 20,000.
- (vi) Depreciation is Tk. 22,500.

Instructions :

- (1) Journalize the adjusting entries at June 30. (Ignore explanation) 3
 - (2) Prepare an Income Statement and Owner's Equity Statement for the 6 months ended on June 30, 2023. 8
 - (3) Prepare a statement of financial position at June 30, 2023. 6
8. The trial balance of Kazi Printing Press as on 31 December 2022 is given below :

Kazi Printing Press			
Trial Balance			
As on 31 December, 2022			
Name of Accounts	Debit	Credit	
	(Tk.)	(Tk.)	
Cash in hand	85,000		
Prepaid lease rent	20,000		
Insurance expense	15,000		
Supplies on hand	3,000		
Lease rent expense	1,10,000		
Office equipment	2,97,000		
Accumulated depreciation		8,000	
Accounts payable		52,000	
Accounts receivables	94,000		
Unearned management fees		45,000	
Common stock		2,00,000	
Retained earnings (1 January 2022)		2,30,000	
Income tax paid	10,000		
Dividends	80,000		
Commission revenue		3,66,000	
Management fees revenue		32,000	
Salaries expenses	1,80,000		
Advertising expenses	25,000		
Telephone expenses	14,000		
Total :	<u>9,33,000</u>	<u>9,33,000</u>	

Additional Information :

- (1) Prepare rent reflects the rent for December plus the rent for the last month of the lease.
- (2) Insurance expense per year Tk. 20,000.
- (3) Office equipments have been expected to have a useful life of 10 years with no salvage value.
- (4) The unearned management fees were received and recorded on November 1, 2022. The advance payment covered three months management on apartment building.
- (5) Service provided but unbilled Tk. 4,000.
- (6) 5% of accounts receivables are suspected to be uncollected.

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	Marks
Requirements : Prepare—	8
(a) Income Statement for the year 2022.	4
(b) Retained Earnings Statement for the year 2022.	8
(c) Balance Sheet as on 31, December 2022.	8
9. (a) What are the basic steps in the recording process?	3
(b) How reliability of accounting information can be substantiated?	5
(c) Discuss why 'dual aspect concept' and 'business entity concept' are of key importance in accounting? Give relevant examples.	6
(d) Indicate whether the following accounts generally will have (i) debit entries only (ii) credit entries only (iii) both debit and credit entries :	6
(1) Cash (2) Accounts Receivables (3) Owner's Drawings (4) Accounts Payable (5) Salaries and Wages Expenses (6) Service Revenue.	
10. Write short notes on any five of the following :	4×5=10
(a) Reversing Entry	
(b) Horizontal Analysis	
(c) Provision for Loans and Advances	
(d) Historical Cost Principle	
(e) Qualified Audit Report	
(f) Full Disclosure Convention	
(g) IFRS	
(h) Internal Control.	

[বাংলা অনুবাদ]

[দ্রষ্টব্য : ডান পাশের সংখ্যা প্রশ্নের পূর্ণমান জ্ঞাপক। যে কোনো পাঁচটি প্রশ্নের উত্তর দিন।]

	নম্বর
১. (ক) হিসাবরক্ষণ সমীকরণ কী? হিসাব লিপিবদ্ধকরণ প্রতিক্রিয়ায় এটি কেন প্রয়োজন?	8+8=৮
(খ) হিসাবের তালিকা (Chart of Account) কী? এর গুরুত্ব কী?	২+8=৬
(গ) সনিয়া হিসাববিজ্ঞানের একজন নতুন ছাত্রী, যুক্তি দেখাচ্ছে যে, দুতরফা দাখিলা পদ্ধতি বলতে প্রতিটি লেনদেনকে দু'বার লিপিবদ্ধ করাকেই বুঝায়। সনিয়া কি সঠিক? ব্যাখ্যা করুন।	৬
২. (ক) "হিসাবরক্ষণ একটি তথ্য ব্যবস্থা"—ব্যাখ্যা করুন।	৫
(খ) হিসাব সংক্রান্ত তথ্যের ব্যবহারকারী কারা এবং কীভাবে হিসাব সংক্রান্ত তথ্য তাদের সিদ্ধান্ত গ্রহণে সহায়তা করে?	৭
(গ) "সমস্ত লেনদেনই ঘটনা কিন্তু সমস্ত ঘটনা লেনদেন নয়।"—কেন?	৩
(ঘ) রেওয়ামিলের দুই দিকের যোগফল মিলে যাওয়া কি খতিয়ানের জেরসমূহের গাণিতিক বিশুদ্ধতার চূড়ান্ত প্রমাণ? যদি না হয় তাহলে কারণসমূহ ব্যাখ্যা করুন।	৫
৩. (ক) অনিশ্চিত হিসাব কী? কোন কোন ক্ষেত্রে অনিশ্চিত হিসাব খুলতে হয়?	৬
(খ) ছাদিয়া ইসলাম সদ্য নিয়োগপ্রাপ্ত একজন শিক্ষানবিশ কর্মকর্তা। সে বিশ্বাস করে যে ডেবিট উদ্ভূত ভালো এবং ক্রেডিট উদ্ভূত খারাপ অবস্থা বুঝায়। ছাদিয়া কী সঠিক? ব্যাখ্যা করুন।	৪
(গ) ইংরেজি অংশ দেখুন।	১০
৪. (ক) ইংরেজি অংশ দেখুন।	৫×২=১০
(খ) সমাপনী জাবেদা কী? এটি প্রস্তুতের উদ্দেশ্যসমূহ কী কী?	২+৪=৬
(গ) সমন্বয় দাখিলা ও ভুল সংশোধনী দাখিলার পার্থক্য কী কী?	৪
৫. (ক) নগদ প্রবাহ বিবরণী প্রস্তুতের উপকারিতা কী?	৪
(খ) ইংরেজি অংশ দেখুন।	৪
(গ) ইংরেজি অংশ দেখুন।	১২
৬. (ক) আর্থিক বিবরণী বিশ্লেষণের হাতিয়ার হিসাবে অনুপাত বিশ্লেষণের সীমাবদ্ধতা লিখুন।	৪
(খ) ইংরেজি অংশ দেখুন।	১৬
৭. (ক) কেন বকেয়াভিত্তিক আর্থিক বিবরণী নগদভিত্তিক আর্থিক বিবরণী থেকে অধিক প্রয়োজনীয় তথ্য সরবরাহ করে?	৩
(খ) ইংরেজি অংশ দেখুন।	১৭
৮. (ক) ইংরেজি অংশ দেখুন।	২০
৯. (ক) হিসাবরক্ষণে হিসাব লিপিবদ্ধকরণ প্রক্রিয়ার মৌলিক ধাপসমূহ কী কী?	৩
(খ) কীভাবে আর্থিক প্রতিবেদনে প্রদত্ত তথ্যের বিশ্বাসযোগ্যতা নিশ্চিত করা যায়?	৫
(গ) হিসাববিজ্ঞানে 'চলতি ব্যবসার ধারণা' ও 'কারবারী সত্তা' কেন গুরুত্বপূর্ণ? উদাহরণসহ ব্যাখ্যা দিন।	৬
(ঘ) ইংরেজি অংশ দেখুন।	৬
১০। ইংরেজি অংশ দেখুন।	8×৫=২০